

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3574-07
Bill No.: Truly Agreed To and Finally Pssed HCS for SCS for SB 583
Subject: Insurance - Medical; Insurance Dept.
Type: Original
Date: June 17, 2010

Bill Summary: Entitles consumers with long-term insurance policies and Medicare supplement policies to premium refunds for unearned portions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(Unknown, expected to exceed \$114,362)	(Unknown, expected to exceed \$100,000)	(Unknown, expected to exceed \$100,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown, expected to exceed \$114,362)	(Unknown, expected to exceed \$100,000)	(Unknown, expected to exceed \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Third Party Liability	Unknown greater than \$367,100	Unknown greater than \$367,100	Unknown greater than \$367,100
Insurance Dedicated	Up to \$5,000	\$0	\$0
Road	(Unknown less than \$50,000)	(Unknown less than \$100,000)	(Unknown less than \$100,000)
Other	(\$71,673)	(\$143,345)	(\$143,345)
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown greater than \$245,427	Unknown greater than \$123,755	Unknown greater than \$123,755

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 16 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Unknown revenues and expenditures exceeding \$700,000 annually net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	0 to Unknown	0 to Unknown	0 to Unknown
Federal	0 to Unknown	0 to Unknown	0 to Unknown
Total Estimated Net Effect on FTE	0 to Unknown	0 to Unknown	0 to Unknown

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	(Unknown exceeding \$49,450)	(Unknown exceeding \$49,340)	(Unknown exceeding \$49,340)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator, Department of Corrections, Department of Health and Senior Services, Office of the Governor, Missouri Consolidated Health Care Plan, Missouri Department of Conservation, Missouri House of Representatives, Missouri Senate, Office of Prosecution Services, Office of State Treasurer and Parkway School District** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Administration - Administrative Hearing Commission** anticipate the legislation will not significantly alter its caseload. However, if similar bills also pass, there are more cases, or the cases are more complex, there could be a fiscal impact.

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources. If there is an increase in the number of cases brought by the AGO, the AGO may seek additional appropriations.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Department of Public Safety (DPS) - Director's Office** defer to the Missouri Consolidated Health Care Plan for response regarding the potential fiscal impact of this bill on their organization.

Officials from the **DPS - Missouri State Highway Patrol (MHP)** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of bill on the MHP.

Officials from the **Department of Elementary and Secondary Education (DES)** defer to local school districts and state-licensed child care providers to provide the potential fiscal impact of this bill. However, DES officials provide the following response for Sections 1.2 and 1.6:

ASSUMPTION (continued)

Section 1.2:

Officials with the USDA did not have a problem with adding an attachment to the application for the free and reduced lunch program. However, the attachment would have to state that the absence or presence of a checked box indicating the family's health insurance coverage, or lack thereof, is in no way related to eligibility for meal benefits. The DES does not anticipate significant costs for adding an attachment to the application. The DES defers to local school districts and state-licensed child care providers regarding costs incurred to print, assemble, and disseminate the attachment.

Section 1.6:

This portion of the language would require the reporting of information regarding the "number of families." School districts report to DES the number of children receiving free and reduced lunch; the DES has no means to deduce the number of families.

Officials from the **Missouri Department of Transportation (DOT)** state Section 376.882 dealing with refunds states "if a Medicare supplement policy is issued, delivered or renewing in this state on or after January 1, 2011 is cancelled for any reason, the insurer will refund the unearned portion of any premium paid." The Plan's current policy is not to issue refunds based on the scenario. Therefore, there this change may impact the Plan. The DOT assumes the impact would be less than \$100,000 annually.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state insurers would be required to submit amendments to their policies to comply with the legislation. Policy amendments must be submitted to the department for review along with a \$50 filing fee. The number of insurance companies writing these policies in Missouri fluctuates each year. One-time additional revenues to the Insurance Dedicated Fund are estimated to be up to \$5,000

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form reviews, the DIFP will need to request additional staff to handle the increase in workload.

ASSUMPTION (continued)

Officials at the **Department of Revenue (DOR)** provide the following assumptions regarding the proposed legislation:

Administrative Impact:

Driver License Bureau (DLB):

Section 303.025.1 includes nonresidents, which will require the DLB to impose a mandatory insurance suspension on any uninsured nonresident involved in a motor vehicle accident reported to the DLB. Modifications to the Missouri Drivers License (MODL) programs and suspension notices will require the DLB staff to complete the program design, internal testing and implementation phases. The DLB estimates this will require a total of one month of overtime estimated to cost \$9,096. The Department's website, procedure manuals and the Missouri Driver Guide will be updated using existing resources.

The proposal increases the number of mandatory insurance suspension notices generated by 399, according to the FY 09 number of uninsured nonresidents. Assuming 33% of those would be reinstated, an additional 132 reinstatement notices will be generated. The DLB will incur costs for printing the suspension notices and reinstatement notices, as well as the expenses for envelopes and postage. Costs are estimated to be \$226 for FY 11; \$279 for FY 12; and \$288 for FY 13. If the volume of accident reports increase as a result of this proposal, additional FTE will need to be requested through the appropriations process.

Section 303.025.2 requires nonresident vehicle owners to maintain financial responsibility which conforms to the requirements of the laws of the nonresident's state of residence. DLB staff will be required to research the laws of each state to determine the limits of liability and acceptable proof of financial responsibility of each state. The new compliance procedures and training materials will be researched and prepared by the Revenue Section Supervisor during the implementation phase and is estimated to cost \$800.

Section 303.025.3(4) and 303.040.3 duplicates current efforts.

Total costs for the DLB section are estimated to be \$14,362 for FY 11; \$279 for FY 12; and \$288 for FY 13.

Office of Administration Information Technology Division (DOR/OAIT):

The DOR's response to a similar proposal in a previous session indicated the department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff, and the limitations within the department's driver license system, changes

ASSUMPTION (continued)

cannot be made without significant impact to the DOR's resources and budget. Therefore, the information technology portion of the fiscal impact is estimated to cost \$4,240.

Revenue Impact:

The proposal includes nonresidents in the mandatory insurance suspension process. In FY 09, there were 399 uninsured nonresidents reported. The DOR assumed 399 uninsured nonresidents to determine the number of additional mandatory insurance suspensions for the next fiscal year, that these were first offenses carrying a \$20 reinstatement fee, and 33% would be reinstated (132). These assumptions result in the generation of an additional \$2,640 in reinstatement fees collected (132 X \$20). Revenue will be distributed 75% to Highways, 15% to Cities, and 10% to Counties.

Oversight assumes the DOR can absorb the supplies and postage costs for FY 12 and FY 13.

Officials from the **Department of Social Services (DOS) - MO HealthNet Division (MHD)** provide the following assumptions for this proposal:

Section 208.215:

This section requires health benefit plans to process MO HealthNet subrogation claims for a period of three years from the date of service, regardless of their timely filing requirements. This would significantly increase third party liability recoveries. The estimated increase in recoveries is unknown but greater than \$1,000,000.

Section 354.442:

There is no fiscal impact to the Department of Social Services. If anything, this proposal could reduce the HMO's administrative costs by relying more on electronic communication, rather than paper copies. Since state statute already requires that this information be provided only upon request of an enrollee or prospective enrollee, this bill is merely a clarification. What is new is setting a time-frame in which the information must be supplied; i.e., 15 business days.

Section 1.1 and 1.2:

Increased utilization is expected as a result of this legislation. It is unknown how many additional children will enroll in CHIP, but assuming, as an example 1,000 additional children enrolled in the CHIP program, the following fiscal impact could be anticipated:

HWC:LR:OD

ASSUMPTION (continued)

Cost per Eligible:

Based on YTD FY 10 actual expenditures, the average monthly cost per CHIP eligible is \$191.08 (includes \$7.74 for the Department of Mental Health services). Some families pay a premium which would offset some of the cost. The current average premium collected is \$30.29.

Assuming 1,000 additional eligible children in the CHIP program, the total monthly cost of both groups (premium- and non-premium-paying families) is \$191,080. The total annual cost is \$2,292,960.

Assuming the same ratio of premium and non-premium participants as currently in the program would result in total additional premium income of \$125,401 annually; therefore, the estimated cost for 1,000 participants is: $\$2,292,960 - \$125,401 = \$2,167,559$.

The federal match received for the CHIP program is 74.30%. A trend factor of 3.7% is applied to FY 2012 and FY 2013 costs.

For FY 11, the fiscal impact is \$2,167,559 (\$557,063 GR), FY 12 is projected at \$2,247,759 (\$577,674 GR), and the fiscal impact for FY 13 is projected at \$2,330,926 (\$599,048 GR).

Officials from the **DOS - Family Support Division (FSD)** provide the following assumptions for this proposal:

Section 1.1:

This bill would require the FSD provide written information on MO HealthNet eligibility and application procedures to each state licensed child care provider. Local FSD offices would receive new applications or an increase in applications due to this special request.

According to the Department of Elementary and Secondary Education, there are 396 public school districts in Missouri. Based on the most recent information obtained from the US Census Bureau, there are 1,029,599 children enrolled in public school. It is the FSD's assumption that the attachment will be printed and distributed by DES. FSD will use available staff and resources to develop the attachment. Thus, there will be a zero fiscal impact for this part of the bill.

In addition, this bill would require the FSD to provide all state licensed child care providers with eligibility and application information. According to statistics from the Department of Health and Senior Services, Section for Child Care Regulation, there are a total of 4,302 regulated child care facilities in Missouri. 539 of those are license exempt. The FSD would have to provide a quantity of eligibility and application information to 3,763 state licensed child care facilities. The total capacity of the 3,763 state license child care facilities is 148,834.

ASSUMPTION (continued)

The FSD determined the cost to print eligibility and application information to accommodate 148,834 children attending state license child care facilities as this: Per the Office of Administration State Printing Department, the higher the quantity of a print job, the lower the price. A total of 200,000 would cost \$3,788.

Costs associated with the eligibility and application information will be developed with existing resources and staff. The FSD cannot determine how many of these children will apply as a result of this outreach. However, if even 1000 persons would apply and be found eligible, 2 additional eligibility specialists would be required. FSD used an average of 2.5 children per case. Based on the caseload standards, each eligibility specialist can have 243 MO HealthNet cases. ($1000 / 2.5 = 400 / 243 = 1.64$ or 2).

Therefore, the fiscal impact is unknown greater than \$101,824 in FY 11; unknown greater than \$106,563 for FY 12; and unknown greater than \$109,853 for FY 13.

The DOS cannot determine how many of these children will apply as a result of this outreach program. However, an increase in the total caseload will increase the need for staff in both the FSD and the Division of Legal Services (DLS). Staff would be necessary in FSD to process the increased volume of applications and maintain cases on an on-going basis and in the DLS to hold hearings on appeals when services are denied. An increased number of CHIP eligibles also results in increased costs for the MHD to provide medical services to these children.

To illustrate the potential for increased costs, FSD and MHD based their calculations on 1,000 additional cases, although the actual number of new cases generated by this legislation is unknown. Since only a small number of all applications result in a request for a hearing, the DLS would not need additional staff if the increase is 1,000 cases or less. However, if the number of new applications significantly exceeds 1,000, the DLS will also need additional staff. If this legislation were to generate as much as a 30% increase in monthly applications above the current caseload, the DLS would need three (3) additional hearing officers.

Oversight notes the numbers presented and used by the DOS are for illustrative purposes and that it is impossible for DOS to accurately predict the number of new applications or newly approved participants. Therefore, **Oversight** assumes the DOS could experience enough of an increase to eventually need to hire additional staff (eligibility specialists and hearing officers) and have an increase in CHIP program costs. As a result, **Oversight** is presenting the DOS's costs as unknown, expected to exceed \$100,000 annually.

ASSUMPTION (continued)

Officials from **Blue Springs School District** did not respond to our request for a statement of fiscal impact. However, in response to similar legislation earlier in this session, officials from the Blue Springs School District assumed the Section 1 of the proposal would cost approximately \$10,000 per year.

Officials from **Francis Howell School District** did not respond to our request for a statement of fiscal impact. However, in response to similar legislation earlier in this session, officials from Francis Howell School District assumed the language in Section 1 would have no fiscal impact on their organization.

Officials from the **St. Louis Public School District** did not respond to our request for a statement of fiscal impact. However, in response to similar legislation earlier in this session, officials from the St. Louis Public School District assumed a cost of up to \$50,000 for the first year and up to \$40,000 for each subsequent year for the provisions of Section 1. These costs may include software modifications needed to recognize the new information on the free and reduced meal application or attachment scanned into the system, temporary staff to identify appropriate students/families and to mail notices provided by the DOS, and notice duplication and postage costs.

Officials from the **Office of State Public Defender** did not respond to our request for a statement of fiscal impact.

No other officials from **School Districts** responded to our request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2011	FY 2012	FY 2013
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GENERAL REVENUE FUND

Costs - DOR

Overtime and supplies expense to setup mandatory suspension of uninsured nonresidents (§§ 303.025 & 303.040)	(\$14,362)	\$0	\$0
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Costs - DOS-MHD, FSD, and DLS
 (Section 1)

Increase in applications and approval of CHIP benefits	(Unknown, expected to exceed \$100,000)	(Unknown, expected to exceed \$100,000)	(Unknown, expected to exceed \$100,000)
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

(Unknown, expected to exceed \$114,362)	(Unknown, expected to exceed \$100,000)	(Unknown, expected to exceed \$100,000)
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Estimated Net FTE Change on General Revenue Fund	0 to Unknown FTE	0 to Unknown FTE	0 to Unknown FTE
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THIRD PARTY LIABILITY FUND

Savings - Department of Social Services
 Program Savings (§208.215)

Unknown greater than \$367,100	Unknown greater than \$367,100	Unknown greater than \$367,100
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ESTIMATED NET EFFECT ON THIRD PARTY LIABILITY FUND

Unknown greater than \$367,100	Unknown greater than \$367,100	Unknown greater than \$367,100
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<u>FISCAL IMPACT - State Government</u>	FY 2011	FY 2012	FY 2013
INSURANCE DEDICATED FUND			
<u>Income - DIFP</u>			
Form filing fees	<u>Up to \$5,000</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>Up to \$5,000</u>	<u>\$0</u>	<u>\$0</u>
ROAD FUND			
<u>Income - DOR</u>			
Increase in reinstatement revenue (§§ 303.025 & 303.040)	\$1,650	\$1,980	\$1,980
<u>Costs - DOT</u>			
Refunds of unearned Medicare supplement premiums (§376.882)	<u>(Unknown less than \$50,000)</u>	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>
ESTIMATED NET EFFECT ON ROAD FUND	<u>(Unknown less than \$48,350)</u>	<u>(Unknown less than \$98,020)</u>	<u>(Unknown less than \$98,020)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2011	FY 2012	FY 2013
FEDERAL FUNDS			
<u>Income - DOS-MHD, FSD, and DLS</u> (Section 1)			
Increase in program reimbursements	Unknown, expected to exceed \$100,000	Unknown, expected to exceed \$100,000	Unknown, expected to exceed \$100,000
<u>Savings - DOS</u>			
Program Savings (§208.215)	Unknown, but greater than \$632,900	Unknown, but greater than \$632,900	Unknown, but greater than \$632,900
<u>Costs - DOS</u>			
Return Federal Assistance (§208.215)	(Unknown, but greater than \$632,900)	(Unknown, but greater than \$632,900)	(Unknown, but greater than \$632,900)
<u>Costs - DOS-MHD, FSD, and DLS</u> (Section 1)			
Increase in program expenditures	<u>(Unknown, expected to exceed \$100,000)</u>	<u>(Unknown, expected to exceed \$100,000)</u>	<u>(Unknown, expected to exceed \$100,000)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Federal Funds	0 to Unknown FTE	0 to Unknown FTE	0 to Unknown FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
LOCAL GOVERNMENTS			
<u>Income - Cities</u>			
Increase in reinstatement revenue (§§ 303.025 & 303.040)	\$330	\$396	\$396
<u>Income - Counties</u>			
Increase in reinstatement revenue (§§ 303.025 & 303.040)	<u>\$220</u>	<u>\$264</u>	<u>\$264</u>
Total <u>Income</u> - Cities and Counties	<u>\$550</u>	<u>\$660</u>	<u>\$660</u>
<u>Costs - School Districts</u>			
Software modification, duplication and mailing costs (Section 1)	<u>(Unknown could exceed \$60,000)</u>	<u>(Unknown could exceed \$50,000)</u>	<u>(Unknown could exceed \$50,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS			
	<u>(Unknown exceeding \$59,450)</u>	<u>(Unknown exceeding \$49,340)</u>	<u>(Unknown exceeding \$49,340)</u>
<u>FISCAL IMPACT - Small Business</u>			

The proposal could directly impact small businesses that provide employees with health benefits if insurance premiums increase. Small trailer dealers could see a savings by not being required to have a dealer garage insurance policy.

FISCAL DESCRIPTION

NONRESIDENT FINANCIAL RESPONSIBILITY - Under this proposal, a nonresident shall not operate a motor vehicle in Missouri unless the nonresident maintains financial responsibility which conforms to the requirements of the laws of the nonresident's state of residence. A nonresident who fails to maintain financial responsibility is guilty of a Class C misdemeanor (Sections 303.025 and 303.040).

REFUNDING MEDICARE SUPPLEMENT PREMIUMS - Under this proposal, if a Medicare supplement policy issued, delivered, or renewed in Missouri on or after January 1, 2011, is cancelled for any reason, the insurer must refund the unearned portion of any premium paid

FISCAL DESCRIPTION (continued)

beyond the month in which the cancellation is effective. Any refund shall be returned to the policyholder within 20 days from the date the insurer receives notice of the cancellation. Under the act, a policyholder may cancel a Medicare supplement policy by sending verbal, written, or electronic notification (Section 376.882).

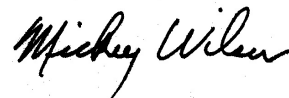
DISSEMINATION OF SCHIP COVERAGE INFORMATION - Under this proposal, the Department of Social Services is required to provide all state licensed child-care providers that receive federal or state aid and all public school districts written information regarding the eligibility criteria and application procedures for obtaining health insurance coverage through the state children's health insurance program (SCHIPP). This information is to be distributed to the parents at the time of enrollment. The proposal also requires the Department of Elementary and Secondary Education to add an attachment to the application for the free and reduced lunch program which will require the parent to check a box indicating whether the child has health insurance or not. If the child does not have health insurance, and the parent's income does not exceed the highest level established by federal law, the school district shall provide a notice to the parent that the uninsured child may qualify for health insurance coverage under SCHIP. The Department of Elementary and Secondary Education must submit an annual report on the number of families in each district receiving free or reduced lunches, the number of families that indicate the absence of health insurance coverage on such forms, the number of families that received information on the SCHIP program, and the number of families who applied for coverage under the SCHIP program because of the receipt of such information (Section 1).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Office of Administration -
 Administrative Hearing Commission
Office of State Courts Administrator
Department of Elementary and Secondary Education
Department of Insurance, Financial Institutions, and Professional Registration
Department of Corrections
Department of Health and Senior Services
Department of Revenue
Department of Social Services -
 MO HealthNet Division
 Family Support Division
 Legal Services Division
Missouri Department of Transportation
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Office of the Governor
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Missouri House of Representatives
Office of Prosecution Services
Missouri Senate
Office of Secretary of State
Office of State Treasurer
Parkway School District
Francis Howell School District
Blue Springs School District
St. Louis Public School District

NOT RESPONDING: Office of State Public Defender and School Districts



Mickey Wilson, CPA

L.R. No. 3574-07

Bill No. Truly Agreed To and Finally Passed HCS for SCS for SB 583

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